

TOWN OF DAGSBORO
AGREED-UPON PROCEDURES ON MUNICIPAL GRANTS
FOR THE YEAR ENDED JUNE 30, 2005

**TOWN OF DAGSBORO
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FOR THE YEAR ENDED JUNE 30, 2005**

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**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Town of Dagsboro
33134 Main Street
P.O. Box 420
Dagsboro, Delaware

We have performed the procedures enumerated below, which were agreed to by Town of Dagsboro and the State of Delaware's Office of the Auditor of Accounts, Department of Homeland Security, and the Office of the State Treasurer, solely to assist you with respect to determining the Town's compliance with Delaware's applicable laws, regulations, financial reporting and the effectiveness of the internal control structure related to the municipal grant funds received for the year ended June 30, 2005 on Page 4. The Town of Dagsboro's Management is responsible for compliance with those requirements. This agreed-upon procedures engagement was performed in accordance with *Government Auditing Standards* (2003) issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants that have been incorporated by *Government Auditing Standards* (2003). The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Document understanding of cash disbursement internal control structure over municipal street aid grant funds from discussion with management and report internal control weaknesses.

FINDING NO. 05-1 - During completion of the Town of Dagsboro's program checklist for the municipal street aid grant, it was noted that their cash internal control structure over municipal street aid has no segregation of duties due to lack of personnel. The Town Clerk controls all the cash functions for the Town which is a reportable internal control weakness that does not properly maintain and safeguard municipal street aid funds. Segregation of duties reduces the risk that one person could perpetrate and/or conceal errors in the normal course of his/her duties.

RECOMMENDATION - The Town should segregate duties related to cash among different Town board members so that additional controls over the Town's municipal grants can be established.

TOWN'S PLAN FOR CORRECTIVE ACTION:

"Limited staffing makes this impossible at the present time. Council will review bank statements and reconciliation reports. Once staff is larger, duties will be segregated."

2. Complete the State of Delaware Auditor of Accounts municipal grants agreed-upon procedure program to determine the Town's compliance with applicable laws, regulations and financial reports related to municipal grant funds received during the year ended June 30, 2005. Detail any instances of noncompliance.

FINDING NO. 05-2 - During completion of the Town of Dagsboro's program checklist for the police pension fund grant, it was noted that the Town submitted the "Registration for Police Pension Fund Benefits" form to the State Treasurer 26 days late.

The Town must provide the previous calendar year information to the State on or before April 1 [18 Del. C. §709(a)] in order to properly apply for police pension grant. Noncompliance with application deadlines could jeopardize the grant award to the Town.

RECOMMENDATION - The Town should establish a written schedule to ensure the report "Registration for Police Pension Fund Benefits" is filed on or before April 1 each year.

TOWN'S PLAN FOR CORRECTIVE ACTION:

"The part time Town Manager failed to submit report on time while Town Clerk was on maternity leave. We do not anticipate this to occur again."

FINDING NO. 05-3 - During completion of the Town of Dagsboro's program checklist for the municipal street aid grant, it was noted that their financial documents and transactions were administered in accordance with the applicable laws and regulations, and that their annual report was submitted timely to the office of the State Treasurer, but the annual report was not accurately prepared or reviewed [30 Del. C. §5165(b)(2)]. The interest income earned on the municipal street aid funds was understated by \$ 67.97 on the annual report and the ending cash balance was understated by \$ 67.97 on the annual report. The accurate preparation of the annual report is an important requirement of the grant.

RECOMMENDATION - The Town should more carefully prepare and review the amounts on the annual report to ensure an accurate presentation.

TOWN'S PLAN FOR CORRECTIVE ACTION:

"The Council will review the reports before the report is submitted on an annual basis."

3. Note all situations or transactions that could be indicative of fraud, illegal acts, material errors, defalcations, irregularities or gross violations of the grant agreements and abuse or misuse of State funds.

During completion of the program checklist, no fraud, illegal acts, gross violations of provisions of contracts or grant agreements and no abuse or misuse of state funds were noted.

4. Prepare the Town's Schedule of Municipal Grants received during the year ended June 30, 2005.

See Page 4.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the Town's compliance with Delaware's laws and regulations, financial reporting and the effectiveness of the internal control structure related to municipal grant funds. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information of the Town of Dagsboro's Management and Council Members, Department of Homeland Security, Office of the State Treasurer and Office of Auditor of Accounts, and is not intended to be and should not be used by anyone other than those specified parties. However, under 29 Del. C. §10002(d), this report is a public record and its distribution is not limited.

Jefferson, Ulan, Doane & Starnes, P.A.

Georgetown, Delaware
February 1, 2006

**TOWN OF DAGSBORO
SCHEDULE OF MUNICIPAL GRANTS
FOR THE YEAR ENDED JUNE 30, 2005**

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<u>Grants</u>	<u>Amounts Received</u>
Municipal Street Aid	\$ 22,136.81
Police Pension	8,885.30
State Aid to Local Law Enforcement	-
Emergency Illegal Drug Enforcement	-

See independent accountant's report on applying agreed-upon procedures.